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1 BEFORE THE ARIZONA CORPORATI

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3 IN THE MATTER OF:)

MIKO D. WADY and JENNIFER L. SAVAGE)

4 (f.k.a. JENNIFER L. WADY), formerly) DOCKET NO.
husband and wife;) S-20716A-09-05745 NATO ENTERPRISES, LLC, an Arizona)
limited liability company;)6 MALIKA S. SMITH and KORY C. SMITH,) PREHEARING
formerly wife and husband;) CONFERENCE7 BOBBY G. GOODSON and PAMELA D.)
GOODSON, husband and wife;)8 CAA GENERAL PARTNERSHIP, an Arizona)
general partnership;)

9 MARIO K. REED, a single man;)

PHOENICIAN ENTERTAINMENT, L.L.C., an)

10 Arizona limited liability company;)

11 THURSTON SMITH and SHAVONE SMITH,)
husband and wife; and)

12 B.Y.B. ENTERTAINMENT, L.L.C., an)

Arizona limited liability company;)

13 Respondents.)

14

15 At: Phoenix, Arizona

16 Date: March 11, 2010

17 Filed: **MAR 22 2010**

18

19 REPORTER'S TRANSCRIPT OF PROCEEDINGS

20 Arizona Corporation Commission

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1 BE IT REMEMBERED that the above-entitled and
2 numbered matter came on regularly to be heard before the
3 Arizona Corporation Commission, in Hearing Room 1 of said
4 Commission, 1200 West Washington Street, Phoenix, Arizona,
5 commencing at 10:32 a.m., on the 11th day of March, 2010.

6

7

8 BEFORE: MARC E. STERN, Administrative Law Judge

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10

11 APPEARANCES:

12

13 For the ACC Securities Division:

14 Mr. Aaron Ludwig
15 Staff Attorney, Securities Division
16 1300 West Washington Street
17 Phoenix, Arizona 85007

18

For the Respondent Malika S. Smith:

19

Ms. Malika S. Smith, Pro per
1175 West Pecos Road, No. 1038
Chandler, Arizona 85224

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22

23

GARY W. HILL, RPR
Certified Reporter
Certificate No. 50812

24

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1 ALJ STERN: Go on the record here. This
2 proceeding is open in the matter of Miko Wady, et al.
3 It's Docket No. S-20716A-09-0574. My name is Marc Stern.
4 I'll preside over this proceeding this morning; and before
5 we go further, let's see who is here. On behalf of the
6 Securities Division.

7 MR. LUDWIG: Aaron Ludwig.

8 ALJ STERN: And on behalf of -- let's see, which
9 respondent we have here today.

10 MS. MALIKA SMITH: Malika Smith.

11 ALJ STERN: Okay, Ms. Smith. You must have a
12 lot of associates involved in this proceeding. Are you
13 married to Mr. Smith?

14 MS. MALIKA SMITH: No, not anymore.

15 ALJ STERN: When were you divorced?

16 MS. MALIKA SMITH: October of '09.

17 MR. LUDWIG: Your Honor, if I may.

18 ALJ STERN: Go ahead, Mr. Ludwig.

19 MR. LUDWIG: Regarding appearances by other
20 respondents, I would just like to point out that
21 presumably Malika is also here on behalf of the CAA
22 General Partnership. Perhaps she could either respond in
23 the affirmative or in the negative. And then also I have
24 some information regarding Mr. Goodson, Bobby Goodson. He
25 and I have spoken. He was aware of today's hearing. He

1 is an over-the-road long-haul truck driver, and he
2 conveyed to me that he would not be able to be here. And
3 he conveyed to me some substantive thoughts about the
4 procedural status, you know, setting of a trial and things
5 of that nature, and settlement. So I could share with you
6 those substantive comments when we get into that.

7 And also Mario Reed has filed a request for
8 hearing, as you probably know. I have not been able to
9 contact him. My office hasn't been able to contact him;
10 but from Malika Smith, she has indicated that he may not
11 have received the second procedural order, but that she
12 has spoken to him and that it's very likely that he's
13 aware of today's hearing. But like I said, we haven't
14 been able to get in touch with him as of this morning.

15 ALJ STERN: Yeah, we have a lot of respondents
16 in this case. It may take a while to get everybody here.
17 Has everybody been served?

18 MR. LUDWIG: No, Thurston Smith and B.Y.B.
19 Entertainment are the only two that have not yet been
20 served. B.Y.B. Entertainment being Thurston Smith's LLC
21 or the manager, member, et cetera.

22 ALJ STERN: But everyone else has been served?

23 MR. LUDWIG: That is correct. And one other
24 thing about that. Neither Mico Wady nor his former
25 spouse, Jennifer Savage, nor his limited liability

1 company, NATO Enterprises, has filed a request for a
2 hearing or an answer; and those are scheduled for a
3 default on the next Open Meeting.

4 ALJ STERN: Okay. Mr. Wady, I don't know if
5 somebody gave us the wrong name. I know our office had a
6 call from someone. I thought it was Mr. Wady, and he --
7 is he a truck driver, too?

8 MR. LUDWIG: No, that would be just Bobby
9 Goodson.

10 ALJ STERN: Well, apparently, it was Mr. Goodson
11 then who called informing us, I think it was just
12 yesterday or the day before, that he was in Pennsylvania
13 on the road.

14 MR. LUDWIG: That's correct. That's who I was
15 just telling you that I had a conversation with.

16 ALJ STERN: All right.

17 MR. LUDWIG: And he couldn't be here, and he
18 talked, he and I talked substantively about the matters
19 that would normally come up at a prehearing conference,
20 and I can tell you what was the substance of those
21 conversations when we get to that.

22 ALJ STERN: Okay. So you expect Mr. Wady -- is
23 Jennifer Savage divorced from Mr. Wady?

24 MR. LUDWIG: Yes.

25 ALJ STERN: When was she divorced do you have

1 any idea?

2 MR. LUDWIG: Yes, we do. I don't have -- we
3 don't have that date in front of us. But to be honest
4 with you, it is after the relevant time period.

5 ALJ STERN: Okay.

6 MR. LUDWIG: One last procedural thing, and that
7 is Malika has informed me that she will forthwith be
8 represented by counsel, and his name is Hubert Kelly.
9 I've left a message for him. I haven't gotten a call
10 back. I believe he is in court or -- information from
11 Malika is he's in court today. So I'm expecting to hear
12 back. Malika wasn't sure whether he was going to file a
13 notice of appearance or had filed a notice of appearance.
14 I don't believe there's anything on the docket. I checked
15 it right before we came over here. So I don't know
16 exactly who he's going to be representing, but I just
17 thought I would make you aware of that as well.

18 ALJ STERN: Okay. Ms. Smith, is that true, you
19 have an attorney now?

20 MS. MALIKA SMITH: Yes.

21 ALJ STERN: So Mr. Kelly. Well, until he enters
22 an appearance, I won't put him on the service list; but
23 once he does, we'll be okay.

24 Is that CAA General Partnership --

25 MS. MALIKA SMITH: Yes.

1 ALJ STERN: -- something you were involved in,
2 ma'am?

3 MS. MALIKA SMITH: Yes.

4 ALJ STERN: Okay. Well, anything else to add
5 right now, Mr. Ludwig, because my inclination is to
6 schedule a, perhaps a follow-up status conference in about
7 a month and see who is left and who has joined in the
8 arrangements.

9 MR. LUDWIG: Frankly, the Division would be in
10 agreement with that. Up until we heard about the
11 definitive nature of Hugh Kelly's representation of
12 Ms. Smith, the Division would have asked for a trial date,
13 but that's certainly a circumstance where we wouldn't be
14 able to get a sense of the evidence and the length of a
15 trial; and therefore, we would need to hear from
16 Mr. Kelly. So no, I don't believe there's anything
17 further, and I believe that a status conference would be
18 appropriate.

19 ALJ STERN: So the respondents who have
20 requested hearings right now are Mario Reed, Malika Smith,
21 and Mr. Goodson.

22 MR. LUDWIG: You were indicating who has been
23 served; is that correct?

24 ALJ STERN: Yes, just those three, I believe.
25 No -- well, also, I guess these partnerships, et cetera,

1 the ones who have requested service. I'm sorry, the ones
2 who have requested service are Ms. Smith, Mr. Goodson and
3 Mr. Reed.

4 MR. LUDWIG: That's correct.

5 ALJ STERN: Because I see there's a lot of
6 affidavits in here for service, and --

7 MR. LUDWIG: Would you like me to clarify who
8 has not been served? I know I said Thurston Smith. Also
9 his wife, Shavone Smith, and B.Y.B. Entertainment.

10 ALJ STERN: Right.

11 MR. LUDWIG: And also Kory Smith which is
12 Malika's former husband. Again, that's because of the
13 marriage at the time of the events contained in the
14 notice. The caption indicates that they're formerly wife
15 and husband, but I just thought I would let you know that
16 Kory Smith hasn't been served. Thurston Smith hasn't been
17 served. Shavone Smith has not been served, and B.Y.B. has
18 not been served.

19 ALJ STERN: So Kory Smith not served. You said
20 Shavone Smith not served?

21 MR. LUDWIG: Correct.

22 ALJ STERN: And who else?

23 MR. LUDWIG: Thurston Smith.

24 ALJ STERN: Thurston -- oh, that's right. You
25 said Thurston hadn't been served. And Shavone, I guess.

1 MR. LUDWIG: And B.Y.B. Entertainment.

2 ALJ STERN: So Kory Smith, Mr. and Mrs. Smith --
3 are Thurston and Shavone still married, that you know?

4 MR. LUDWIG: Yes, to the best of our knowledge,
5 yes.

6 ALJ STERN: And B.Y.B. Entertainment, you said,
7 is related to Mr. Smith?

8 MR. LUDWIG: That is correct.

9 ALJ STERN: Well, if we could get some of these
10 entertainers to show up for the next status conference,
11 that would probably be more pleasant than a status
12 conference.

13 MR. LUDWIG: Right. And I don't know if it
14 would be appropriate for you to make reference to Malika
15 Smith regarding the representation of multiple parties by
16 one attorney, but I think -- and Malika can correct me if
17 I'm wrong, but I think she indicated that Mr. Kelly is
18 going to be entering a notice of appearance on behalf of
19 multiple parties. I know it's premature because he hasn't
20 filed anything and I haven't heard from him, but I'm just
21 saying that in response to your comment that if these
22 people could show up, if all of them could show up, and I
23 think that one attorney might be trying to enter an
24 appearance on behalf of several of them, but I guess that
25 might just be premature; and if he does that, we can

1 discuss it with him in the next conference.

2 ALJ STERN: All right. How many investors were
3 there in this entity? Do you have a feel for this?

4 MR. LUDWIG: Yes. The way the notice reads, it
5 talks about an entity, Deluxe Designs, being one major
6 investor, and then there being about three others. So
7 four. However, the entity Deluxe is composed of over a
8 dozen investors. So they invested through the entity
9 Deluxe Designs. And action was previously taken against
10 Deluxe Designs, and a decision has already been entered in
11 a previous case.

12 ALJ STERN: In another case?

13 MR. LUDWIG: That's correct, in '09.

14 ALJ STERN: Was that a default, you think?

15 MR. LUDWIG: Yes, it was actually. It was.

16 ALJ STERN: Okay. Well, like I say, the way it
17 looks to me, we're going to -- and there was some money
18 here. I think I saw a couple of hundred thousand or more.

19 MR. LUDWIG: What do you mean?

20 ALJ STERN: Invested funds approximately.

21 MR. LUDWIG: No, actually, it's closer -- it's
22 2.9 million.

23 ALJ STERN: Oh.

24 MR. LUDWIG: The Deluxe money was the lion's
25 share of that, and then the other few investors is

1 hundreds of thousands.

2 ALJ STERN: Okay. And this went on over a
3 period of how many years, approximately? Alleged? 2008?

4 MR. LUDWIG: Yes.

5 ALJ STERN: That's just within one year?

6 MR. LUDWIG: Within one year, less than a year,
7 February to August of '08.

8 ALJ STERN: Energetic program.

9 MR. LUDWIG: Yes.

10 ALJ STERN: Well, since you're going to be
11 represented, Ms. Smith, and apparently some of the other
12 parties, Mr. Ludwig is representing, I guess what I'm
13 going to have to do is schedule this for another gathering
14 in about 30 days.

15 MS. MALIKA SMITH: Okay.

16 ALJ STERN: And then we'll see maybe -- I might
17 put it a little bit longer than that so maybe you have
18 time to talk to Mr. Kelly and get a feel for where all the
19 parties stand.

20 MR. LUDWIG: I would appreciate that, yes.
21 Thank you.

22 MS. MALIKA SMITH: Okay.

23 ALJ STERN: So maybe 45 to 60. 45, let's say.

24 MR. LUDWIG: Sure, yes, please. Thank you.

25 ALJ STERN: All right. Anything else?

1 MR. LUDWIG: No, nothing further.

2 ALJ STERN: Okay. Ms. Smith, the address I have
3 for you -- and I just want to check it until your attorney
4 files something --

5 MS. MALIKA SMITH: Yes, sir.

6 ALJ STERN: -- is 1175 West Pecos Road, Number
7 1038, Chandler, 85069.

8 MS. MALIKA SMITH: No, the zip code is 85224.

9 ALJ STERN: 85224?

10 MS. MALIKA SMITH: Yes. The other zip code
11 belongs to my P.O. Box.

12 ALJ STERN: 85 --

13 MS. MALIKA SMITH: -- 224 belongs to the 1175.

14 ALJ STERN: And do you have another address --
15 that is your address though, 1175 West Pecos?

16 MS. MALIKA SMITH: That's my physical address,
17 yes, sir.

18 ALJ STERN: Number 1038, Chandler, 85224?

19 MS. MALIKA SMITH: Yes, sir.

20 ALJ STERN: And I guess Mr. Goodson and
21 Mr. Reed's address, that's the best address, I guess, we
22 have for them. And they're the only other requesting
23 parties at this point.

24 Okay. Anything else, Mr. Ludwig?

25 MR. LUDWIG: No, I don't believe so. One

1 clarification is, should mail be sent to Ms. Smith at the
2 physical address --

3 MS. MALIKA SMITH: Yes.

4 MR. LUDWIG: -- or the P.O. Box?

5 MS. MALIKA SMITH: Yes, physical address.

6 That's where I've been getting them. So yes, that's
7 correct.

8 ALJ STERN: 1175 West Pecos, Number 1038,
9 correct?

10 MS. MALIKA SMITH: Yes.

11 ALJ STERN: 85224. All right. That's where
12 we'll send the notice of the next proceeding; and until
13 your attorney substitutes in, and at that point you can
14 let him know -- I don't know the date yet offhand, but it
15 will be about, I'm going to guess probably in the latter
16 part of April.

17 MS. MALIKA SMITH: Okay.

18 ALJ STERN: Somewhere around there. Okay?

19 MR. LUDWIG: Very good.

20 ALJ STERN: All right. Thank you.

21 MR. LUDWIG: Thank you.

22 MS. MALIKA SMITH: Thank you.


23 ALJ STERN: That will conclude this proceeding
24 today.

25 (The hearing concluded at 10:47 a.m.)

1 STATE OF ARIZONA)
2 COUNTY OF MARICOPA) ss.
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7 I, GARY W. HILL, R.P.R., Certified Reporter
8 No. 50812, for the State of Arizona, do hereby certify
9 that the foregoing printed pages constitute a full, true
10 and accurate transcript of the proceedings had in the
11 foregoing matter, all done to the best of my skill and
12 ability.

13
14 WITNESS my hand this 15th day of March,
15 2010.
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17
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19

20 
21 Gary W. Hill, R.P.R.
22 Certified Reporter, No. 50812
23
24
25